



ORIGINAL
Pivotal Utility Management LLC



0000123548

RECEIVED

March 7, 2011

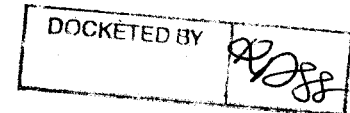
2011 MAR -7 P 12: 58

Steve M. Olea
Arizona Corporation Commission
1200 W Washington Street
Phoenix, AZ 85007

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

MAR 7 2011



Subject: Response to Staff Report for Links at Coyote Wash Utilities, LLC
Docket No. SW-04210A-10-0392

To Whom It May Concern:

This letter serves at the Company's response to the February 23, 2011 Staff Report ("Report") filed in the above-referenced matter. The Company agrees with all the recommendations provided for in the Report except one - the \$10,277 fine/penalty for not billing customers per the Commission approved tariff. First, the Staff Report is incorrect that "the only non-volumetric rate that the Company was authorized to charge was \$30 per customer per month." This non-volumetric rate applied only for residential customers. The tariff specifically states that each commercial customer will have a custom rate.

The confusion in the tariff is the result of the requirement that each commercial customer will have its own flow meter. It does not specify whether such a meter is a water flow meter or a sewer flow meter. One could easily infer, when reviewing the tariff-approved "Flow Meter Installation Charge" of \$100 that the type of flow meter referred to is a water meter. By contrast, if the tariff was referring to a sewer flow meter installed on each commercial service, such an application to measure actual sewer volume on these gravity lines in an accurate way would cost several thousands of dollars each.

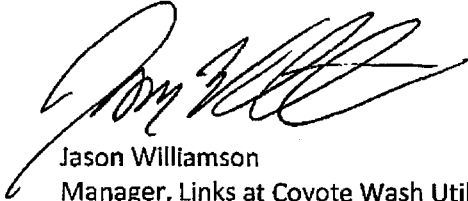
The Company does not deny that its billing practice for commercial customers was not entirely consistent with the tariff. However, due to the less than clear standards in the tariff, Company management felt that it should try and accurately calculate the sewer fee cost based on water use, which is consistent with how several municipalities and local providers charge for sewer service. The primary intent was to ensure that bills paid by a commercial customer most accurately reflect the cost of service. Staff now recommends that the Company continue using its methodology on a going forward basis. Therefore, Staff must have concluded that there was no harm to customers by using a system not consistent with the tariff (and in fact makes more sense). When considering the lack of clarity in the Tariff, and in the absence of harm customers or any malicious intent to ignore the Commission, we feel that a fine as proposed would not be in the public interest. It represents about 5% of the total gross revenue requirement (assuming the proposed rates are approved), and would be a hardship to the Company.

While this is an important matter to the Company, we do not believe that a hearing is necessary in this proceeding. Again, we agree with all the other recommendations by Staff concerning rates and charges,

and a hearing in this matter will require the Company to incur additional costs. If staff remains rigid on recommending some fine based on past conduct, perhaps a reduced amount accompanied with an extended payment period would be appropriate. The manner in which we billed commercial customers was consistent with the notion of fairness to all our customers, and while we understand that we could have attempted to correct the tariff earlier, we did not have the resources to do so and felt that a rate proceeding such as this would clear the matter up.

We request that Staff reconsider its recommendation to fine the Company \$10,227 in light of the facts and circumstances included in this response.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Williamson", with a stylized, cursive script.

Jason Williamson
Manager, Links at Coyote Wash Utilities, LLC

Cc: Arizona Corporation Commission Docket Control